

part of the operations which are carried out in Pakistan are taken into account.

- (ii) A dividend paid without Pakistan by a company formed and registered under the Pakistan Companies Act and having its registered office in Pakistan is deemed to be income accruing and arising in Pakistan to the extent to which it has been paid out of profits subjected to income-tax in Pakistan (Explanation 3 to Section 4 (1)).
- (iii) Income which would be chargeable under the head "salaries" if payable in Pakistan is deemed to accrue or arise in Pakistan wherever paid if it is paid by or on behalf of the Government of Pakistan or a Provincial Government in Pakistan to a person in the service of such Government (Explanation 2 of Section (4) (1)).
- (iv) Where a husband is not resident in Pakistan, remittances received by his wife resident in Pakistan, out of any part of his income, which is not included in his total income is deemed income accruing in Pakistan to the wife (Section 4 (2)).

Thus, in the computation of income, domicile or nationality does not play any part. It is only the residence (i. e. whether a taxpayer is (i) "resident and ordinarily resident" (ii) "resident but not ordinarily resident" or (iii) "non-resident") that is material. However, in the computation of tax domicile or nationality does play a part as mentioned below :

- (i) In the case of a resident (whether "resident and ordinarily resident" or "resident but not ordinarily resident"), tax is charged on total income as computed above.

- (ii) In the case of a "non-resident" who is a British subject or a subject of an Acceding State or a non-Acceding State or a State in Burma, the tax including super-tax payable by him, or on his behalf on his total income is an amount bearing to the total amount of tax (including super-tax) which would have been payable on his total world income, had it been his total income, the same proportions as his total income bears to his total world income.
- (iii) In the case of any other "non-resident" person the income tax payable by him, or on his behalf, on his total income is calculated at the maximum rate in the super-tax payable thereon is an amount bearing to the total amount of super-tax which would have been payable on his total world income, had it been his total income, the same proportion as his total income bears to his total world income (Section 17).

The tax is computed at the rate fixed by the Finance Act of the year for which the assessment is to be made. These rates are by slab system in the case of the following tax payers :—

- (i) Individuals
- (ii) Hindu undivided families
- (iii) Associations of persons
- (iv) Firms (unregistered).

If a firm becomes "registered" with the Income-Tax Officer under Section 26-A, tax is not levied on the firm but the share of each partner in the firm's income included in his own total income and taxed at the rates applicable to his total income.

The following entities pay tax at fixed rates :

- (i) Local authorities
- (ii) Companies.

b. Income from real property

1. The taxation of income from real property does not depend on the nationality or domicile of the lessee or owner.

Income from the property situated in Pakistan is taxable in any case. Income from property situated outside Pakistan is treated as indicated above, depending on whether a person is "resident and ordinarily resident", "resident but not ordinarily resident" or "non-resident".

2. (a) Income from agriculture arising in Pakistan is exempt from federal income-tax (Section 4(3) (viii)) but income from agriculture earned outside Pakistan is liable to tax. Income from agriculture is taxed by some of the Provincial Governments.

Live-stock raising is included in agriculture and is exempt from federal income tax if it takes place in connexion with agriculture of lands; otherwise, it is taxable.

(b) Income derived in Pakistan from the use of the house property by the owner himself is taxable in his hands but it is limited to 10 per cent of his total income (Section 9 (1) and 9 (2) and proviso to Section 9 (2). The lessee is taxed on the net income after payment of rent to the lessor and expenses incidental to the earning of the income. This income is taxed under "Other Sources"—Section 12.

(c) If the property is house-property, income from leased property is assessed not on the basis of the rent but on the basis of *bona fide* annual value (Section 9 (1). If the property is any other kind of property, income derived from it is taxable on the basis of rent receipts (Section 12).

(d) and (e) No Special rules apply to income received from the exploitation of certain parts or appurtenances of the property (royalties, water rights, rights-of-way, etc.) This income is taxable (Section 12). The same applies to income from real property.

c. Income from royalties on natural resources, such as mines, quarries, oil wells and other natural deposits (unless taxed as income from real property)

1. Taxation of royalties on natural resources does not depend on the nationality or domicile of the payee or payer.

As for income from real property, income from natural resources situated in Pakistan is taxable in any case and income from resources situated outside Pakistan is treated as indicated above, depending on whether a person is "resident and ordinarily resident", "resident but not ordinarily resident" or "non resident" (Section 4(1).)

The liability to taxation of income from royalties depends upon the location of the natural resources and not upon the location of their smelting or processing.

d. Income from mortgages on real property, ships or aircraft

The taxation of such income does not depend on the nationality or domicile of the mortgagee or mortgagor; it depends on the location of the mortgaged property and/or the place of use of the capital secured.

e. Business profits

In what manner and to what extent does the taxation of business profits (i.e. income derived from carrying on industrial or commercial activities, including agricultural enterprises, which is not covered by any other income category listed in this questionnaire) depend on:—

1. Taxation of business profits does not depend on the nationality or domicile of the person or legal entity receiving the profits, but on the location of the business activity from which the profits are derived. If the business is situated in Pakistan the income is taxable. If it is situated outside Pakistan, the income will be treated as indicated above depending on whether a person is "resident and ordinarily resident", "resident but not ordinarily resident" (Section 4 (1).)

2. National enterprises are taxed on their profits from all their business activities, domestic and foreign. As for business activities in foreign countries, if these activities are in the nature of business or exercise of a profession, they are taxed even if they are isolated or occasional (Section 4 (3) (vii)).

3. Foreign enterprises which are "non-resident" as defined in Section 4A are not taxed on foreign activities. They are taxed in respect of only those activities which they carry on within Pakistan in connexion with their business, even if these activities are isolated or of an occasional nature. Where all the operations are not carried out in Pakistan such profits which are attributable to that part of the operations carried out in Pakistan are taxed.

4. "Permanent establishment" is still an unfamiliar expression in the Pakistan income tax law. "Doing business" or "carrying on a trade" has not been defined in Income-Tax Acts and Courts have largely to be referred to for their interpretation in case of dispute. The tax liability depends only upon accrual (actual or deemed) of income or part of income and is restricted to such income or part of income.

5. There is no fixed formula to apportion taxable and non-taxable profits of a business enterprise which is taxed only on certain items, part or categories of its domestic or foreign activities. Section 42 (3), however, provides for such an apportionment in a reasonable and fair manner. Where the Income-Tax Officer is of opinion that the profits in Pakistan cannot be ascertained, the amount of such profits for purposes of assessment to income tax may be calculated on such percentage of the turnover so accruing or arising as the Income Tax Officer may consider to be reasonable or on an amount which bears the same proportion to the total profits of the business of such person (such profits being computed in accordance with the provisions of the Income-Tax Act) as the receipts so accruing or arising bear to the total receipts of the

business, or in such other manner as the Income-Tax Officer may deem suitable.

The books of the enterprise may be taken into account to determine the actual profits of the taxable business activity, considered as a separate entity, if the books have been correctly cast.

6. Special rules apply to :

- (1) Insurance business—schedule to the Income-Tax Act.
- (2) Transshipping - Sections 44A, 44C.

Special provisions apply to business profits collected through an agent, trustee, representative, broker, or other conduit or intermediary in the following circumstances :

- (i) Where the guardian or trustee of any person, being a minor, lunatic or idiot, is entitled to receive on behalf of such beneficiary, or is in receipt on behalf of such beneficiary of, any income, profits or gains chargeable under the Pakistan Income-Tax Act, the tax is then levied upon and recoverable from any such beneficiary if of full age or sound mind and in direct receipt of such profits or gains (Section 40 (1)).
- (ii) If tax cannot for any reason be levied on the "non-resident" it will be levied on his agent or trustee who is entitled to receive or is in receipt of income on behalf of such non-resident person (Section 40 (2)).
- (iii) Where under some legal mandate the property of a person is managed by another person the tax on behalf of the first person is levied on the second person (Section 41).
- (iv) Where any income is artificially transferred by a "resident" to a "non-resident", it is assessed in the hands of the former though it may stand in the name of or accrue to the latter (Section 44D).

7. As already stated, the nationality or domicile of a person does not affect his liability to income-tax in Pakistan. The differences concern only the tax rate :

- (i) In the case of a "non-resident" who is a British subject or a subject of an Acceding State or a non-Acceding State or a State in Burma the tax, including super-tax, payable by him, or on his behalf, on his total income is an amount bearing to the total amount of tax including super-tax which would have been payable on his total world income had it been his total income the same proportion as his total income bears to his total world income.
- (ii) In the case of any other "non-resident" person, the income-tax payable by him, or on his behalf on his total income is at the maximum rate and the super-tax payable thereon is an amount bearing to the total amount of super-tax which would have been payable on his total world income had it been his total income the same proportion as his total income bears to his total world income (Section 17).
- (iii) Companies registered in Pakistan and or declaring dividends in Pakistan get a rebate of two annas in super-tax while public companies other than above get a rebate of one anna.

There are provisions for deduction of tax from income paid to a person residing outside Pakistan as below :

- (1) Income-tax at the maximum rate has to be deducted from salary paid to a "non-resident" (Section 18 (2A)) as also super-tax at the rate applicable to the estimated total income of the assessee under this head.
- (2) Income tax at the maximum rate has to be deducted from any interest or any other sum chargeable under

the Pakistan Income-Tax Act paid to a "non-resident" unless the payer himself is liable to pay income-tax thereon as an agent of the "non-resident". However, in the case of a "non-resident" who is a British subject or a subject of an Acceding or a non-Acceding State or a State in Burma, the Income-Tax Officer may grant a certificate for deduction of tax at the rate applicable to such person's estimated total world income (Section 18 (3A)) and in that event tax is deducted accordingly.

- (3) If the Income Tax Officer has reason to believe that a "non-resident's" total world income is likely to attract super-tax, he may require the payer to deduct super-tax at the rates applicable to his estimated total world income from any payments of income other than 'interest on securities' to be made to him (the "non-resident") (Section 18 (3B)).
- (4) Where the payer finds that the payment of interest or any other sum chargeable under the Pakistan Income-Tax Act, not being payment of "Interest on Securities" being made to a "non-resident" by itself attracts super-tax he has to deduct super-tax from the above payments at the rates applicable to the total amount of the above payments.
- (5) Under Section 18 (3D) and 18 (3E) super-tax has to be deducted from dividends paid to a "non-resident" i.e. under Section 18 (3D) on the direction of the Income-Tax Officer and, under Section 18 (3E), by the payer himself in the same way as is done in respect of interest or any other sum chargeable under the Pakistan Income Tax Act under Section 18 (3B) and 18 (3C) noted above.
- (6) If tax from interest paid to a person residing outside Pakistan has not been deducted as above, such payment is disallowed in the assessment of the payer

(Proviso to Sections 8, 9(1) (iv), 10(2) (iii) and clause (b) of proviso to Section 12(2).

- (7) In the case of registered firms, if a partner is not resident in Pakistan, the share of such partner is assessed on the firm at the rates which would be applicable if it were assessed on the partner personally and the sum so determined is payable by the firm (Second Proviso to Section 23(5) (a)).

A person not domiciled in Pakistan is required to clear all his income-tax liabilities before leaving Pakistan and for this purpose he has to obtain a taxation or exemption certificate as the case may be, from the Income-Tax Officer (Section 44G).

- (8) There is a bilateral agreement for the avoidance of double taxation between Pakistan and India. Agreements for reciprocal relief also exist with Ceylon, Aden, Kenya, Tanganyika, Uganda, Zanzibar, Gold Coast, Nigeria, Sierra Leone, Gambia and Mauritius.

There are provisions in the Pakistan Income-Tax Act enabling the Central Government to enter into agreements with other countries for the avoidance of double taxation. There is, in addition, a general provision in the Pakistan Income-Tax Act according to which if a person proves that he has paid income tax on the same income in Pakistan as well in a foreign country, with which there is no agreement for the avoidance of double taxation, he is entitled to relief of tax equal to one-half of the amount of tax paid by him in Pakistan on the doubly taxed income or one-half of the tax payable in the other country, whichever is the less (Sections 49 AA and 49 D).

(9)(a) There is a separate Excess Profits Tax Act, 1940. The liability under this Act is restricted

to profits between 1-9-1939 and 31-3-1946 and the amount of tax payable is allowed as a deduction in arriving at profits liable to income-tax.

From 1-4-1946 there is a Business Profits Tax (Business Profits Tax Act, 1947). This tax is being extended from year to year. At present it extends to profits earned up to 31-3-1952. Approved industrial undertakings set up in Pakistan after 14-8-1947 have been exempted from this tax with effect from the profits earned after 31-3-1951. As regards earlier years profits upto five per cent of the capital are exempt.

The Business Profits Tax is charged at 16 $\frac{2}{3}$ per cent after giving the following statement :

- (a) in the case of a company, six per cent of the capital (computed in the manner prescribed by the Act) of the company or one lakh of rupees, whichever is greater;
- (b) in the case of a firm having
 - (i) not more than two working partners, one lakh of rupees, or
 - (ii) three working partners, one and a half lakh of rupees, or
 - (iii) four or more working partners, two lakhs of rupees, or
- (c) in the case of a Hindu undivided family two lakhs of rupees, and
- (d) in any other case, one lakh of rupees.

The amount of Business Profits Tax is, like the Excess Profits Tax, deductible from total income for income-tax purposes.

- (b) There is no tax on undistributed profits. However, in the Income-Tax Act itself, there is a provision

(Section 23A) under which if any private company is found to have distributed less than 60 per cent of assessable profits of the previous year, the Income-Tax Officer may declare the undistributed portion of the assessable income of the company to have been distributed as dividends so as to make the shareholders liable to tax on such dividends.

f. Income from personal tangible property such as stocks, bonds, debentures and other notes and securities evidencing debt or capital participations

1. If the money is borrowed outside Pakistan and brought and used in Pakistan, the lender is liable to Pakistan income-tax on the interest.

If the income is received in Pakistan, it is taxable. If the income is received outside Pakistan it will be treated as indicated above depending on whether a person is "resident and ordinarily resident", "resident but not ordinarily resident" or "non-resident" [Section 4(1)].

The relationship between the payer company and the payee company is not taken into account; except in the remote case where there is a business connexion, there is no liability [Section 42(1)].

2. The principles stated under 1 *supra* are not modified in cases of collection of tax at the source. Tax is deducted at source according to the provisions of Section 18 which have already been referred to.

3. There are no special provisions in cases where the right to the note or security is held or administered by a trustee or legal representative.

4. The principles under 1 *supra* are modified only in the following two cases :

- (1) No income-tax is payable on the interest receivable on any security of the Central Government (domestic)

issued or declared to be income-tax free (Second proviso to Section 8).

- (2) Income-tax payable on the interest receivable on any security of a Provincial Government (domestic) issued income-tax free is payable by that Provincial Government. Interest on bonds issued by a foreign government is liable to Pakistan income-tax if brought into or received in Pakistan or when the recipient is a person "resident and ordinarily resident" in Pakistan. (Third proviso to Section 8).

The form under which the income is received (interest or dividends) does not affect its treatment.

g. and h. Income from royalties on patents, trademarks and other commercial or industrial properties and income from royalties on copyrights and other intellectual properties

1. The taxation of such royalties does not depend on the nationality or domicile of the licensor or licensee.

If the property is used or reproduced in Pakistan, income accrues or arises in Pakistan and consequently it is taxable. If the property is used or reproduced outside Pakistan, the income is taxable if received or brought into Pakistan. If the recipient is a person "resident and ordinarily resident" in Pakistan it is taxable, even if the property was used/produced outside Pakistan.

j. Private pensions and annuities

1. (a) The taxation of such income does not depend on the nationality or domicile of the payer or payee.
- (b) (1) If the pension or annuity is paid by the Pakistan Government or a Province of Pakistan, it is taxable wherever it may be paid (Explanation 2 to Section 4(1)(C)).

- (2) If it is paid by any other authority or person, it is taxable wherever it may be paid, if it is earned in Pakistan [Explanation 2 to Section 4(1)(c)].
- (3) Salary or pension paid in Pakistan is taxable in any case (Section 7). If the salary is paid outside Pakistan and is not covered by item (1) or (2) above, it will be treated depending on whether a person is "resident and ordinarily resident", "resident but not ordinarily resident" or "non-resident" [Section 4(1)].
- (c) (1) If the service was performed in Pakistan the income is taxable in any case [Explanation 2 to Section 4(1)(c)].
- (2) If the service was performed outside Pakistan but the salary was paid by or on behalf of the Government of Pakistan or on behalf of the Government of a Province of Pakistan the salary would still be taxable [Explanation 2 to Section 4(1)(c)].

Certain exemptions have been allowed, e.g. salaries of foreign diplomats, Trade Commissioners and their foreign staff, etc.

k. Earned income from personal services, private employment or liberal professions (fees, wages, salaries)

- 1. (a) Such income is not taxable when derived from foreign sources, unless it is received in Pakistan or the recipient is a person "resident and ordinarily resident" in Pakistan.
- (b) Earned income received abroad is taxable if the service was rendered in Pakistan [Explanation 2 to Section 4(1)].

- (c) As mentioned under 1(a) above, earned income from foreign sources is taxable when received by residents [Section 4(1)(a)].
- (d) The length of foreign residence affects the "residence" of the recipient in Pakistan and if he becomes a "non-resident", there is no liability in (a) and (b), unless the income is received in Pakistan.
- 2. (a) Earned income received by foreigners is taxable only
 - (1) if the service was performed in Pakistan, or
 - (2) if the payment has been made by the Government of Pakistan or the Government of a Province of Pakistan.
- (b) If foreigners reside in the country while receiving earned income from foreign sources, such income is taxable [Section 4(1)(a)].
- (c) As already stated, only the answer to (a) is modified depending on the length of the person's residence in Pakistan [Section 4(1)].
- 3. (a) The nationality or domicile of the payee or payer is not taken into account.
- (b) Payment made in Pakistan is taxable in any case [Section 4(1)(a)]. Payment made outside Pakistan is taxable if
 - (1) Service was performed in Pakistan, or
 - (2) The payment has been made by or on behalf of the Government of Pakistan or the Government of a Province of Pakistan [Explanation 2 to Section 4(1)(c)]. In other cases, the income will be taxable or not in the manner as already indicated according as a person is "resident and ordinarily resident", "resident but not ordinarily resident" or "non-resident".

4. As already stated, salaries and wages paid by or on behalf of the Government of Pakistan or the Government of a Province of Pakistan are taxable [Explanation 2 to Section 4(1)(c)].

There is no special treatment for salaries and wages paid by a foreign governmental agency or paid to civil servants or to military personnel, but special exemptions are allowed to foreign diplomats [See answer to 1(1)(e) *supra*].

5. The above information refers to services and employment. Liberal professions carried on in Pakistan or outside Pakistan are treated as indicated under (e) *supra*, depending on whether the tax-payer is "resident and ordinarily resident", "resident but not ordinarily resident" or "non-resident".

II. CAPITAL GAINS TAX

This tax has now been abolished. It operated only for the period 1-4-1946 to 31-3-1949. The allowances were different from that allowed against ordinary business profits and were the following :

- (i) expenditure incurred solely in connexion with such sale, exchange or transfer;
- (ii) the actual cost to the tax-payer of the capital assets, including any expenditure of a capital nature incurred and borne by him in making any additions or alterations thereto (Section 12 B).

The rates of tax were also different from ordinary business profits rates :

<i>Capital gains</i>		<i>Rate of tax</i>
Up to Rs.	15,000	Nil
From „	15,001 to 50,000	One anna in the rupee
„ „	50,001 to 2,00,000	Two annas in the rupee
„ „	2,00,001 to 5,00,000	Three annas in the rupee
„ „	5,00,001 to 10,00,000	Four annas in the rupee
Above „	10,00,000	Five annas in the rupee

[Section 17(b)].

The *situs* of the assets was immaterial.

III. CAPITAL AND PROPERTY TAXES

a. General property tax

There is no such tax.

b. Real property tax

There is no such tax. Income from royalties is taxable, however as explained *supra* under A. I. c.

c. Personal property tax on tangible and intangible property (e. g. Securities, choses in action, leaseholds (if considered as personal property) etc.)

There is no such tax.

d. Capital stock tax

There is no such tax.

IV. SUCCESSION AND GIFT TAXES

No succession or gift taxes are levied. Under the Estate Duty Act, 1950, duty is levied on the corpus of the property which passes or is deemed to pass on the death of a person. Property is regarded as "passing on death" where the ownership, beneficial possession or enjoyment of the property is diverted by the event of death ; and property is "deemed to pass" on death where the event of death does not operate directly to shift the beneficial possession. The Act specifies the cases in which the property is "deemed to pass". The category includes

property over which the deceased has a general power of appointment ; gifts *mortis causa*; gifts *inter vivos* made at any time, in respect of which the donee did not assume beneficial possession ; property which the deceased caused to be vested in himself and some other person jointly either by disposition or purchase, so that the other person takes by survivorship the deceased's severable share of property of which he was a joint owner with another or others ; policy of insurance which the deceased effected on his life and kept up wholly or partially for the benefit of a donee, whether nominee or assignee; annuities or other interests which the deceased purchased or provided, to the extent of beneficial interest accruing by survivorship or otherwise upon the death of the deceased; gifts by way of creation of a burden or release of rights ; and property in which the deceased or some other person had an interest which ceased on the death of the deceased, to the extent to which a benefit accrued by the cesser of such interest.

Immovable property situated outside the provinces of Pakistan and the Capital of the Federation is not dutiable while movable property so situated is dutiable only in the case of a person domiciled in the country.

The place of death or of the making of the gift is immaterial.

The rates of tax which do not vary with the degree of relationship between the decedent and the heir or legatee are progressive and they apply to the net value of the estate, viz. gross value as reduced by permissible deductions.

Under Section 51 of the Act estate duty may be collected by stamps or such other means as the Central Board of Revenue may prescribe that Government securities shall be accepted in payment of estate duty on such terms (as it thinks fit). Rule 31 of the Estate Duty Rules, 1950 provides the following methods of paying duty:—

- (a) by the delivery of a cheque at the office of Central Board of Revenue, Karachi ;
- (b) by the delivery of a Bank Draft payable in Karachi at the office of the Central Board of Revenue, Karachi ;
- (c) by depositing the amount of the duty to the credit of the Central Government at any Government treasury or sub-treasury or at any of its agencies conducting Government treasury business or at any other bank authorised by the Central Government in this behalf.

V. CAPITATION AND HEAD TAXES

There are no such taxes.

UNITED ARAB REPUBLIC

I. INCOME-TAX

1. (a) Structure and underlying principles of Income-Tax System

1. (a) The following schedular taxes exist in our fiscal system :

- (1) Real estate tax on built-up property.
- (2) Real estate tax on non-built-up property.
- (3) Tax on income from transferable securities and investments (Chapter 1, Book 1, Law 14 of 1939).
- (4) Tax on industrial and commercial profits (Chapter 1, Book 2).
- (5) Tax on wages and salaries, pensions and annuities (Chapter 1, Book 3, Law 14 of 1939).
- (6) Tax on income from liberal professions (Chapter 2, Book 3, Law 14 of 1939).

As a general rule, tax is levied on a territorial basis. There are, however, exceptions to the rule, as follows :

(i) In respect of dividends, interest, arrears, amortization, etc. paid by foreign companies or enterprises, and also of interest and income of all kinds derived from foreign bonds, notes or public funds, the tax is payable whether the beneficiaries are Egyptian nationals, or foreigners domiciled or habitually resident in Egypt and whether they are natural or legal persons.

Nevertheless, Article 5 exempts from taxation dividends, interest, arrears and all other sums derived from foreign transferable securities which Egyptian insurance and re-insurance companies are obliged to deposit or to keep or deposit abroad, under the laws of the country concerned, in order to constitute sureties, actuarial reserves or any other type of reserve against accidents or current risks.

This exemption is subject to justification of the deposits thus made abroad; it ceases as soon as the deposits are no longer compulsory.

The same provisions apply to Egyptian insurance companies operating in countries whose legislation does not require the compulsory deposit and maintenance on deposit of transferable securities as surety or as actuarial or other reserve. In such cases the securities exempted will be determined in accordance with Egyptian legislation.

(ii) Tax on wages and salaries—Tax on wages and similar emoluments, and on salaries, allowances and pensions is levied :

1. On all salaries and similar income, pay allowance, emoluments, wages, pensions and annuities paid by the State or the provincial or municipal councils to any person residing in Egypt or abroad without prejudice to agreements providing for exemptions ;

2. On all salaries and similar income, pay, allowances, emoluments, wages, pensions and annuities paid by banks, companies or private individuals to any person residing in Egypt, or to any person residing outside Egypt, in respect of services rendered in Egypt. (Article 61).

(b) In Egypt there is no tax on the total income only.

(c) At present there is no general tax superimposed on schedular taxes. A bill on the subject is still before Parliament.

(b) Income from Real Property

(1) Income from real property is taxed when the property is in Egypt. The real estate tax is based on a lump sum representing the average income and not the particular income. It is levied on the gross income, that is, the rental value.

(2) (a) Agricultural enterprises not constituted as companies are not liable to tax. Where lives stock-raising is necessary to agriculture, it is exempted from taxation. On the other hand, if the enterprise is of a commercial nature, it is subject to the tax provided for in Book II of Law No. 14 of 1939.

(b) There are no legal provisions establishing taxation on the income received from the use of real property by the owner, lessee or administrator.

(c) There are no provisions establishing a tax on income received from the lease of real property.

(d) *Idem.*

(e) *Idem.*

(c) Income on Royalties from Natural Resources, such as Mines, Quarries, Oil Wells and other Natural Deposits (Unless Taxed as Income from Real Property)

Profits derived from a mine or other concession or enterprise in Egypt, irrespective of the nationality or domicile of the

person granting or holding the concession, are subject to the tax as commercial and industrial profits, provided that the sources of the profit are situated in Egypt.

As from 1 September 1939 an annual tax was established on profits from commercial, industrial and artisan professions and enterprises, including the concession and operation of mines etc., without any other exceptions than those limitatively designated by the law (Article 30).

(d) Income from Mortgages on Real Property, Ships or Aircraft (Including Mortgage Bonds, If they are Considered as Interests in Real ty rather than as Securities)

The provisions of the law are as follows :

ARTICLE 15

Interest on all privileged, mortgage, or unsecured debts, all deposits of money or cash sureties, accruing to Egyptian nationals or to foreigners domiciled or resident in Egypt, even where this interest is derived from capital invested abroad, is subject to taxation at the rates established in Article 7 above.

Interest on claims or deposits of a professional nature, provided that it is established that the said interest is included in the accounts of beneficiary enterprise situated in Egypt, and subject to the tax on commercial and industrial profits established by Book 2 of the present Law, are, however, exempt from this tax.

This exemption does not extend to interest on loans obtained from mortgage establishments by the companies and undertakings referred to in Article 1, paragraphs 1 and 2 in excess of 40,000 Egyptian pounds. Nor does it extend to interest on advances made by personal loan banks to the State, to provincial or municipal councils, or the abovementioned companies and undertakings in cases where the claims arise from contracts stipulating an advance for a period in excess of

twelve months or a fixed rate of interest. Advances from personal loan banks, the terms of which (amount, duration, rate) place them on the same footing as a loan in the sense of Section I, are liable to taxation as described in that Section. The Administration shall be responsible for deciding which cases come under this heading.

ARTICLE 16

Interest on all capital invested in Egypt, even where the investors are foreigners not domiciled or resident in Egypt, shall be liable to tax provided for in the preceding article.

ARTICLE 18

The tax is assessed on the gross amount of the interest. It becomes due from the sole fact of the payment of the interest in whatever manner this is effected.

ARTICLE 19

The tax is due solely by the creditor, any clause to the contrary notwithstanding.

(e) Business Profits

(1) All businesses carried on in Egypt are liable to taxation (profits from agriculture are not taxable unless the enterprise is constituted as a joint-stock company).

ARTICLE 33

Tax is due on all profits earned by any enterprise operating in Egypt.

(2) Enterprises are taxed only on profits from their business activities in Egypt.

(3) An enterprise may be taxed, even for an isolated activity, provided this was carried on in Egypt.

(4) There is no definition of what constitutes a "permanent establishment".

(5) Any real profits earned by any enterprise carrying on activities in Egypt are taxable.

(6) There are no special rules applying to the cases mentioned in paragraphs (a), (b), (c), (d) and (e).

(7) Foreign companies and enterprises operating in Egypt are treated on the same basis as Egyptian companies and enterprises.

ARTICLE 3

Foreign companies and enterprises operating in Egypt shall be considered, for the purposes of taxation, as Egyptian companies.

(8) As regards paragraphs (a) and (b), there are no special rules.

(9) (a) A tax on exceptional profits was established by Law 60 of 1941.

(b) There is no such tax.

(c) *Idem.*

(f) **Income from personal tangible property such as stocks, bonds, debentures and other notes and securities evidencing debt or capital participations**

(1) (a) As regards dividends, interest, arrears on foreign bonds, notes or public funds, tax is payable whether the beneficiaries be Egyptians or foreigners.

ARTICLE 4

As regards dividends, interest arrears, amortization etc., paid by foreign companies or enterprises, as well as all interests and income of any nature derived from foreign bonds, notes or public funds, a tax is payable whether the beneficiaries be

Egyptian nationals or foreigners domiciled or habitually resident in Egypt, and whether they be natural or legal persons.

(b) The nationality or domicile of the payer is immaterial. The tax is assessed on all income from investments paid in Egypt.

ARTICLE 1

"A tax, at the rates determined hereinafter, is hereby established on all income from investments paid or to be paid from September 1930.

"This tax is levied on :

(i) dividends, interest, arrears and all other sums derived from shares of all kinds and founders' shares in financial, industrial, commercial or any other type of company or enterprise;

(ii) on interest, yields and profits from the shares of sleeping partners in limited partnership companies ;

(iii) on interest, arrears and all other proceeds from bonds, together with interest, arrears and all other proceeds from loans of any kinds, notes and treasury bonds issued by the State or by provincial or municipal councils, and from those issued or contracted by the companies and enterprises referred to in paragraphs (1) and (2) of the present article, with the exception of notes and bonds exempted or to be exempted from taxation by the law ;

(iv) on payments out of profits made by any company to the managing director or members of the board of directors in their capacity as such, or to any other payees, and on all attendance fees and various remunerations paid to the directors of such companies.